

Message Text

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PAGE 01 KUWAIT 01363 260747 Z

15

ACTION EB-11

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TO SECSTATE WASHDC 6507

INFO AMEMBASSY ABU DHABI

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E. O. 11652: N/ A

TAGS: ENRG KU US

SUBJECT: PETROLEUM - KNPC MARKETING PLANS

REF: KUWAIT 726 (NOTAL)

SUMMARY: FOLLOWING MONTH- LONG VISIT TO US BY KNPC TEAM COMPANY AND US GROUP ON VERGE GOING FORWARD WITH PROJECT WHICH WILL INVOLVE MAJOR KNPC INVESTMENT IN US AND EXPORT \$80 MILLION PER YEAR OF REFINED PRODUCT TO THE US FROM KUWAIT. KNPC LOOKING FORWARD TO INCREASING PRODUCTION AND INCREASING SALES IN US. COMPANY WILL ALSO HAVE KEY ROLE IN MARKETING KUWAITI PARTICIPATION CRUDE. COMPANY CURRENTLY SEEKING SELECTED CUSTOMERS THROUGH AGGRESSIVE MARKETING CAMPAIGN. END SUMMARY

1. KNPC TEAM HAS NOW RETURNED TO KUWAIT FOLLOWING MONTH- LONG MEETING IN US (REFTEL. EMBOFF WAS TOLD BY SENIOR PARTICIPANT NEW YORK TALKS THAT KNPC AND US GROUP NOW PUTTING FINISHING TOUCHES ON AGREEMENT UNDER WHICH KNPC WILL PROVIDE 2 MILLION TONS REFINED PRODUCT PER YEAR
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PAGE 02 KUWAIT 01363 260747 Z

AND WILL INVEST IN CONSTRUCTION NEW TERMINAL IN HOBOKEN, NJ AREA FOR SUPPLY NEW YORK CITY FUEL OIL MARKET. KNPC OFFICIAL ESTIMATED ANNUAL EXPORTS UNDER THIS CONTRACT WILL BE WORTH \$80 MILLION. SEVERAL MAJOR NEW YORK BANKS INTERESTED FINANCING PROJECT.

2. RELATING THIS VENTURE TO PLANS EXPAND KNPC REFINERY 50 PERCENT TO 180,000 BPD CAPACITY, KNPC OFFICIAL SAID COMPANY WILL BE ABLE CONTINUE SUPPLY TRADITIONAL CUSTOMERS IN SOUTH ASIA WHILE ATTEMPTING TAKE ADVANTAGE HIGH US DEMAND FOR CLEAN NAPHTHA AND FUEL OIL WHICH KNPC PRODUCES. COMPANY INTENDS EXPORT AS MUCH AS 120,000 BPD TO US. FOR KNPC BIGGEST HINDRANCE IS LIMITED DEEP- WATER TERMINAL CAPACITY ALONG US EAST COAST. THEREFORE, COMPANY OFFICIALS PARTICULARLY INTERESTED THIS ASPECT PRESIDENT'S ENERGY MESSAGE.

3. EMBOFF WAS TOLD STEADY STREAM POTENTIAL CUSTOMERS, PARTICULARLY FOR KUWAITI CRUDE HAVE BEEN COMING TO KUWAIT. KNPC OFFICIALS CONFIRMED COMPANY WOULD HAVE KEY ROLE IN SALE OF GOK PARTICIPATION CRUDE ALTHOUGH FINAL GOK- COMPANY ARRANGEMENTS HAVE NOT YET BEEN MADE. COMPANY LOOKING FORWARD TO MARKETING PARTICIPATION CRUDE BUT FOR MOMENT NEITHER KNPC NOR GOK HAS ANY TO SELL BECAUSE FAILURE SO FAR OF NATIONAL ASSEMBLY TO RATIFY PACT.

4. KNPC OFFICIALS EXPRESSED CONCERN OVER MANNER ABU DHABI QTE AUCTIONING UNQTE ITS CRUDE. IN CONTRAST, KNPC OFFICIALS CLAIMED THEY BEING VERY CAREFUL TO WHOM THEY WILL SELL EITHER REFINED PRODUCTS OR CRUDE. ACCORDING COMPANY MANAGING DIRECTOR AHMAD MUTAIR, KNPC IS AGGRESSIVELY LOOKING FOR CHOICE CLIENTS SUCH AS MAJOR UTILITIES OR LARGE BULK CUSTOMERS. COMPANY NOT INTERESTED IN BROKERS OR SMALL TIME OPERATIONS. PRIMARY RESPONSIBILITY FOR DEVELOPING SALES RESTS WITH COMPANY'S LONDON MARKETING OFFICE.

5. COMMENT: ALTHOUGH OVERALL KUWAITI CRUDE OIL PRODUCTION WILL REMAIN RELATIVELY CONSTANT IN NEAR FUTURE, KNPC WILL EXPERIENCE SIGNIFICANT EXPANSION IN OPERATIONS AND SALES. ALTHOUGH IT IS PURSUING AGGRESSIVE MARKET EXPANSION PROGRAM, COMPANY IS COOLLY SURVEYING POTENTIAL CUSTOMERS. LOOKS AS THOUGH IT HAS SUCCESSFULLY PENETRATED US MARKET. BASED ON WHAT IT CONSIDERS INITIAL SUCCESS AND PROSPECTS FOR FUTURE, LIMITED OFFICIAL USE

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PAGE 03 KUWAIT 01363 260747 Z

COMPANY HAS RATHER BULLISH QUALITY WHICH MUST SURPRISE THOSE FAMILIAR WITH COMPANY'S SOMEWHAT STORMY PAST.

DECONTROL 5/1/74.
STOLTZFUS

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